

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:1305

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Prices of Petroleum Products

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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether petrol and diesel have been/are being sold to consumers in proportion to international crude oil prices during the last three years and the current year and if so, the details thereof;
- (b) the revenue and profit earned by the public sector oil companies from the sale of petrol and diesel by taking advantage of low international crude oil prices during the said period, company-wise;
- (c) whether gas is not sold to consumers on the above basis and if so, the reasons therefor along with the criteria/ formula for fixing the consumer sale prices of gas in the country;
- (d) whether the daily pricing practice is aimed to bring the country at par with the United States of America oil market and private retailers are also switching to the new pricing mechanism and if so, the details thereof along with any guidelines for private retailers issued by the Government after the de-control of petroleum products including petrol and diesel in the country;
- (e) whether the Government monitors the prices of various petroleum products including petrol and diesel fixed by the private companies to ensure that the prices are in conformity with the variation in the crude oil prices in the international markets; and
- (f) if so, the details thereof and the steps taken against private companies for not passing the benefit of low crude oil prices to the consumers and also to safeguard the interest of the consumers?

Answer

MINISTER OF STATE (I/C) IN THE MINISTRY OF PETROLEUM AND NATURAL GAS

(SHRI DHARMENDRA PRADHAN)

(a) & (b): Prices of Petrol and Diesel have been made market-determined effective 26.06.2010 and 19.10.2014 respectively. Since then, the Public Sector Oil Marketing Companies (OMCs) take appropriate decision on pricing of Petrol and Diesel in line with international product prices and other market conditions. Retail Selling Price (RSP) of Petrol and Diesel in the country are not linked to the international crude oil prices but are linked to the international prices of Petrol and Diesel and at present public sector OMCs apply Trade Parity Pricing methodology to compute the RSP.

Refining of crude oil is a process industry, where crude oil constitutes around 90% of the total cost. Crude oil is processed through several processing units. Each of these units produces intermediate products streams, which require further reprocessing and blending. As it is difficult to apportion the total cost amongst individual refined products, product-wise costs are not identified separately

However the revenue and Profit after Tax of the OMCs from all activities during the last three years is given as under:-

(Rs. Crore)

Particulars

2014-15

2015-16

2016-17

Turnover

IOC

4,36,390

3,49,321

4,38,692

HPC

2,06,380

1,79,281

2,13,489

BPC

2,37,905

1,89,098

2,41,859

PAT

IOC

5,273

10,399

19,106

HPC

2,733

3,863

6,209

BPC

5,085

7,432

8,039

(c): The natural gas is sold as per formula used to determine the price of domestic natural gas notified under the New Domestic Natural Gas Pricing Guidelines, 2014 include the following:

Prices prevailing in HH (USA), NBP (UK), Alberta (Canada) and Russia are used as inputs to determine the price of domestic natural gas, as per the following formula:

$$P = (VHH \cdot PHH + VAC \cdot PAC + VNBP \cdot PNB + VR \cdot PR)$$

$$(VHH + VAC + VNBP + VR)$$

Where,

P= Wellhead gas price

VHH= Total Annual volume of Natural Gas consumed in United States and Mexico

VAC= Total Annual volume of natural gas consumed in Canada

VNBP= Total Annual volume of natural gas consumed in EU and FSU excluding Russia

VR= Total Annual volume of natural gas consumed in Russia

PHH= Annual average of daily Henry Hub prices

PAC= Annual average of monthly Alberta Market Price

PNBP= Annual average of daily NBP UK prices

PR= Annual average of monthly prices of Russia

PHH, PAC, PNBP and PR shall be calculated after deducting the US\$ 0.50/MMBTU towards transportation and treatment charges.

Domestic price of natural gas is linked to the prices at major international hubs and tries to balance the interests of producers as well as consumers. The pricing of domestic natural gas is determined based on aforesaid formula on six monthly basis, which is applicable to all the sectors uniformly, except those specified in the Guidelines. These Guidelines are available on Ministry's website.

(d): As mentioned above, prices of Petrol and Diesel have been made market determined and Public Sector OMCs take decision on pricing themselves. Public Sector OMCs, namely,

Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited and Bharat Petroleum Corporation Limited have implemented daily revision of retail selling price of Petrol and Diesel in the entire country effective 16th June, 2017.

Daily price revisions of Petrol and Diesel make the retail prices more reflective of the current market conditions, minimizing the volatility in the RSP of Petrol and Diesel. Further, it leads to increased transparency in the system and enables smoother flow of products from refinery/depots to Retail Outlets.

(e) & (f): The private oil companies decide themselves the prices of Petrol and Diesel being sold from the Retail outlets run by them.

x-x-x-x-x